

Financial Reporting and Accounting Guide

November 2021

Primary differences between ‘simplified disclosures’ and reduced disclosure financial statements

This publication provides a high-level summary of the additional or significantly different disclosures between the information required to be disclosed in Tier 2 general purpose financial statements for the new standard (simplified disclosures) and the information commonly disclosed in reduced disclosure financial statements (RDR). It does not outline the full disclosure differences between these two frameworks.

Tier 2 general purpose financial statements (Reduced disclosure financial statements)

RDR are currently prepared as the Tier 2 option for general-purpose financial statements. This option is normally selected for entities that are reporting entities and have a choice between Tier 1 (compliance with all Australian accounting standards) and Tier 2 (compliance with the recognition and measurement of Australian accounting standards with reduced disclosures). The RDR are contained within each accounting standard and the areas that are not required to be complied with are shaded within the relevant accounting standard.

Reporting entities are defined in Statement of Accounting Concept 1 (SAC 1) as:

‘entities (including economic entities) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources.’

Tier 2 general purpose financial statements (simplified disclosures)

The ‘simplified disclosure’ framework of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) replaces the existing ‘reduced disclosure requirements’ framework within Australian Accounting Standards.

The standard applies for annual reporting periods beginning on or after **1 July 2021** and contains the presentation and disclosure requirements for Tier 2 general purpose financial statements.

Unlike the RDR, AASB 1060 is a separate disclosure standard that applies to the preparation of Tier 2 general purpose financial statements, within the differential reporting framework prescribed by AASB 1053 *Application of Tiers of Australian Accounting Standards*. Applying AASB 1060 means that the presentation and disclosure requirements contained within other accounting standards are not required to be complied with.

High-level summary of the primary disclosure differences

The following table outlines a high-level summary of the primary disclosure differences between Tier 2 ‘simplified disclosures’ (under AASB 1060) and the information commonly disclosed in RDR financial statements. Public sector specific disclosures have not been included in this summary. It does not identify the full disclosure differences, and like many accounting standards changes ‘the devil is in the detail’.

Further information about the disclosure requirements of AASB 1060 is contained in our [illustrative guide](#).

Notes to the financial statements	GPFS – Simplified Disclosures (AASB 1060)	GPFS – Reduced Disclosures
Employee benefits (excluding defined benefit plans)	<p>Required</p> <ul style="list-style-type: none"> The nature, amount and extent of funding of termination benefits. 	Not required ⁽¹⁾
Franking credits	<p>Required</p> <ul style="list-style-type: none"> The amount of franking credits available for use in subsequent reporting periods. 	Not required ⁽¹⁾
General information about the entity	<p>Required</p> <ul style="list-style-type: none"> Domicile and legal form of the entity Registered office Principal place of business Description of entity's operations and principal activities 	Not required ⁽¹⁾
Profit from continuing activities	<p>Required.⁽³⁾</p> <ul style="list-style-type: none"> Interest expense, Impairment losses by category of asset Share-based payment expense Defined contribution plan expense Inventory expense Research and development expense 	<p>Required.⁽¹⁾⁽²⁾</p> <ul style="list-style-type: none"> Disclosure of individually material income or expense items
Reconciliations	<p>Not required</p> <ul style="list-style-type: none"> Prior year reconciliations are not required. 	<p>Required.</p> <ul style="list-style-type: none"> Prior year reconciliations were mainly included
Remuneration of auditors	<p>Required</p> <ul style="list-style-type: none"> Fees paid to each auditor or reviewer including any network firm separately for the audit or review of the financial statements and all other services. 	Not required ⁽¹⁾
Statement of changes in equity	Option to omit this statement in certain circumstances, and present instead a statement of income and retained earnings ⁽⁴⁾	Required
Statement of profit or loss and other comprehensive income	Option to omit this statement in certain circumstances, and present instead a statement of income and retained earnings ⁽⁴⁾	Required

Notes:

- This information was not explicitly required. However, paragraph 112(c) of AASB 101 requires an entity to disclose information that is not presented elsewhere in the financial statements, but is relevant to an understanding of the financial statements.
- Paragraph 97 of AASB 101 requires an entity to disclose the nature and amount of material items of income or expense.
- Paragraph 56 of AASB 1060 requires an entity to present additional line items when such presentation is relevant to an understanding of the entity's financial performance.
- Paragraphs 62 and 63 provide the entity with an option to present a statement of income and retained earnings instead of a separate statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which the financial statements are presented arising from profit or loss, payment of dividends, corrections of prior period errors and changes in accounting policies.

Disclosure of comparative information (first-time adoption of ‘simplified disclosures’)

Relief from restating comparative note information is available only for those entities that choose to early adopt the new requirements (i.e., for periods beginning **before** 1 July 2021). This means that:

- you will not need to disclose comparative information in the notes to the financial statements if the information was not disclosed in the previous financial statements (e.g., auditors remuneration).

However, if you leave adoption until the mandatory date (periods commencing on or after 1 July 2021) full comparative disclosures will be required for the financial statements and the notes to the financial statements.

Further information and assistance

Contact Pitcher Partners for further information and assistance on the first-time adoption of AASB 1060 Australian Accounting Standards – Simplified Disclosures for For-profit and Not-for-profit Tier 2 entities.

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